AMENDMENT NUMBER FOUR TO
PROFESSIONAL SERVICES AGREEMENT
WITH
KEYSER MARSTON ASSOCIATES, INC.

This Amendment Number Four ("Amendment") is dated January 25, 2024 ("Effective Date"), by and between the CITY OF COSTA MESA, a municipal corporation ("City") and KEYSER MARSTON ASSOCIATES, INC., a California corporation ("Consultant").

WHEREAS, City and Consultant entered into an agreement on February 8, 2021, for Consultant to provide consulting services in connection with affordable housing projects (the "Agreement"); and

WHEREAS, City and Consultant entered into Amendment One on February 8, 2023, to extended the term of the Agreement through February 7, 2024; and

WHEREAS, City and Consultant entered into Amendment Two on April 4, 2023, to increase Consultant's maximum compensation for a total amount not to exceed Seventy Thousand Dollars ($70,000); and

WHEREAS, City and Consultant entered into Amendment Three on September 1, 2023, to increase Consultant's maximum compensation for a total amount not to exceed One Hundred Thousand Dollars ($100,000); and

WHEREAS, City and Consultant now desire to amend the Agreement to increase compensation by Fifty-Five Thousand and Three Hundred Dollars ($55,300), to provide for additional services related to the proposed Inclusionary Housing program; and

WHEREAS, Section 4.1 of the Agreement provides for the term of the Agreement to be amended if agreed to in writing by the parties; and

WHEREAS, City and Consultant desire to increase Consultant's maximum compensation and extend the term of the Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Section 1.1 of the Agreement is amended to add to the Scope of Services as more specifically set forth in Exhibit A.

2. Section 2.1 of the Agreement is amended to increase Consultant's compensation by $55,300 as more specifically set forth in Exhibit A to this

Amendment. As of the effective date of this Amendment, Consultant's total compensation shall not exceed $155,300.

3. The term of the Agreement shall be extended through February 7, 2025.

4. All terms not defined herein shall have the same meaning and use as set forth in the Agreement, as amended.

5. All other terms, conditions, and provisions of the Agreement, as amended, shall remain in full force and effect.

6. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original. All counterparts shall be construed together and shall constitute one agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by and through their respective authorized officers, as of the date first above written.

CONSULTANT

_____ Date: _____
Kathleen Head
President

CITY OF COSTA MESA

_____ Date: _____
Lori Ann Farrell Harrison
City Manager

ATTEST:

_____ Date: _____
Brenda Green
City Clerk

APPROVED AS TO FORM:

_____ Date: _____
Kimberly Hall Barlow
City Attorney

APPROVED AS TO INSURANCE:

_____ Date: _____
Ruth Wang
Risk Management

APPROVED AS TO CONTENT:

_____ Date: _____
Silvia Kennerson
Senior Management Analyst

DEPARTMENTAL APPROVAL:

_____ Date: _____
Scott Drapkin
Assistant Economic and Development Services Director

APPROVED AS TO PURCHASING:

_____ Date: _____
Carol Molina
Finance Director

KEYSER MARSTON ASSOCIATES

ADVISORS IN:
Real Estate
Affordable Housing
Economic Development

BERKELEY
Debbie M. Kern
David Doezema

LOS ANGELES
Kathleen H. Head
Kevin E. Engstrom
Julie L. Romey
Tim R. Bretz

SAN DIEGO
Paul C. Marra
Linnie A. Gavino

EMERITUS
A. Jerry Keyser
Timothy C. Kelly

January 18, 2024

Nancy Huynh
Principal Planner
City of Costa Mesa
77 Fair Drive
Costa Mesa, California 92626

Dear Ms. Huynh:

Keyser Marston Associates, Inc. (KMA) is pleased to submit the following proposal to the City of Costa Mesa (City) to provide additional services related to the proposed Inclusionary Housing program. The following proposal describes the proposed scope of services and estimated fees for the services to be provided.

PROPOSED SCOPE OF SERVICES

KMA proposes to provide the following scope of services to the City on an as needed basis.

Policy Recommendations

KMA proposes to a memorandum that summarizes the policy recommendations derived from the Inclusionary Housing: Financial Evaluation (Financial Evaluation) and the supplemental analysis KMA prepared in November 2023. The policy recommendations memorandum will be organized as follows:

1. The findings of the Financial Evaluation will be summarized.

2. The components of the recommended policies will be identified. The following policy recommendations for ownership and rental housing development will be included:

    a. The financially feasible income targeting standards;

    b. The percentage of housing units that should be set aside as Inclusionary Housing units;

    c. Affordable housing production requirements; and

    d. The alternative fulfillment options that will be available to projects that are subject to the Inclusionary Housing program requirements.

3. The role that the Government Code Section 65915 et seq. density bonus should play in establishing income and affordability requirements for the City's Inclusionary Housing program.

4. The implementation and administrative tools that should be created by the City after an Inclusionary Housing program is adopted.

In-Lieu Fee Analysis

KMA proposes to prepare in-lieu fee analyses for apartment and ownership housing developments based on the Inclusionary Housing requirements included in the first reading of the ordinance that was approved by the City Council on January 16, 2024. The prototype residential projects used in the KMA Inclusionary Housing: Financial Evaluation will be used for analysis purposes. The in-lieu fee estimates will be determined using an "Affordability Gap" analysis methodology.

The basic parameters are:

1. Projects with 15 or more units are subject to the Ordinance.

2. The income and affordability requirements that will be applied in the analysis are set as follows:

a. An 11% low income requirement is imposed on apartment projects developed at a density of 60 units per acre or more, and a 6% low income requirement is imposed on apartment projects developed at less than 60 units per acre.

b. An 8% moderate income requirement is imposed on ownership housing developments.

KMA will present the in-lieu fee analysis findings in a memorandum that describes the methodology, assumptions, and findings.

Administrative Procedures Manual – Apartment Development

The Administrative Procedures Manual for the developers of apartment developments will include the following chapters:

1. A template affordable housing agreement
2. An introduction to the Inclusionary Housing requirements
3. A presentation of the defined terms that are used in the Administrative Procedures Manual and pertinent affordable housing agreements
4. Program administration terms
5. Methodology for identifying eligible renters
6. Methodology for calculating the affordable rents
7. Policies related to complaints and appeals to the City
8. Descriptions of the monitoring and enforcement activities that will be undertaken by the City.

KMA will also prepare the following attachments for the City's use:

1. The current household income chart to be used in qualifying households to rent affordable units in projects subject to Inclusionary Housing requirements

2. The current utilities allowances to be used in calculating the affordable rents for units subject to Inclusionary Housing requirements

3. A sample annual tenant recertification form

4. A sample annual rental housing compliance report

5. An in-lieu fee calculation form

Meeting Attendance

Meetings with Staff

On an as-needed basis KMA will meet with City staff virtually or in person. This proposal includes a budget allowance for a total of 20 hours of meeting time with City staff.

Public Meetings

KMA proposes to participate in up to a total of 12 hours of public meetings with the community, the Planning Commission and the City Council. KMA will assist the City in preparing presentations for the meetings and will serve as the primary presenter for the financial components of the Inclusionary Housing program.

PROPOSED BUDGET AND TIMING

The following table presents the estimated fee for each task included in this proposal:

Proposed Budget: Written Deliverables	
Tasks	Budget
Policy Recommendations Memorandum	$5,000
In-Lieu Fee Analysis	10,000
Administrative Procedures Manual	25,000
Total Budget: Written Deliverables	$40,000

Proposed Budget: Meeting Attendance	
Meeting Attendance	
Meetings with City Staff - (Up to 20 Hours)	$6,100
Public Meeting Participation – (Up to 12 Hours)	3,700
Total Budget: Meeting Attendance	$9,800

The total budget is estimated as follows:

Proposed Total Budget	
Tasks	Budget
Written Deliverables	$40,000
Meeting Attendance	9,800
Contingency Allowance @ 10% of the Total Budget	5,500
Total Budget	$55,300

The fee for the individual tasks may vary from these estimates, but the total budget will not be altered unless the work scope is expanded. If the scope of services changes materially, and/or the in person/virtual meeting time requested by the City exceeds a total of 32 hours, the budget will need to be adjusted accordingly.

The KMA hourly billing rate schedule that will be applied to this engagement is provided on the following page:

KMA Billing Rate Schedule	
Chairman, President, Managing Principals *	$305.00
Senior Principals *	$295.00
Principals *	$275.00
Managers *	$245.00
Senior Associates	$205.00
Associates	$185.00
Senior Analysts	$170.00
Analysts	$145.00
Technical Staff	$105.00
Administrative Staff	$90.00

* Rates for individuals in these categories will be increased by 50% for time spent in court testimony.

KMA appreciates the opportunity to submit this proposal. Please do not hesitate to contact me if this proposal can be modified to better meet your needs.

Sincerely,

Keyser Marston Associates, Inc.

Kathleen Head